

**MINUTES
of the
THIRD MEETING
of the
INVESTMENTS AND PENSIONS OVERSIGHT COMMITTEE**

**November 6, 2006
State Capitol
Santa Fe**

The third meeting of the Investments and Pensions Oversight Committee for the 2006 interim was called to order by Representative John A. Heaton, chair, on Monday, November 6, 2006, at 9:00 a.m. at the State Capitol in Santa Fe.

Present

Rep. John A. Heaton, Chair
Sen. John Arthur Smith, Vice Chair
Rep. Donald E. Bratton
Sen. Joseph J. Carraro
Sen. Phil A. Griego
Sen. Carroll H. Leavell
Rep. Luciano "Lucky" Varela

Advisory Members

Sen. Carlos R. Cisneros
Frank Foy, Educational Retirement Board (ERB)
Rep. Kathy A. McCoy
Olivia Padilla-Jackson, State Board of Finance
Rep. Joe M Stell

Absent

Rep. Miguel P. Garcia
Rep. Larry A. Larranaga
Rep. Henry Kiki Saavedra

Gary Bland, State Investment Council
Douglas Brown, State Treasurer
Sen. Pete Campos
Sen. Joseph A. Fidel
Rep. Justine Fox-Young
Robert Gish, Public Employees
Retirement Association (PERA)
Sen. Stuart Ingle
Rep. Patricia A. Lundstrom
Sen. Leonard Lee Rawson
Sen. H. Diane Snyder

Staff

Michelle Aubel, Legislative Finance Committee (LFC)
Doris Faust, Legislative Council Service (LCS)
Norton Francis, LFC
Cleo Griffith, LCS
Larry Matlock, LCS
Doug Williams, LCS

Guests

The guest list is in the meeting file.

Monday, November 6

Composition of the Boards of the ERB, PERA and State Investment Council

- Bruce Malott, Chair, ERB
- David Baca, Chair, PERA Board
- Bob Jacksha, State Investment Council (SIC)

Mr. Malott reviewed the membership of the ERB. The members are:

- Bruce Malott, Chair, Governor's Appointee
- Mary Lou Cameron, Vice Chair, National Education Association
- Gary Bland, Secretary, Governor's Appointee
- Dr. Pauline H. Turner, American Association of University Professors
- Delman Shirley, New Mexico Association of Education Retirees
- Dr. Veronica Garcia, Secretary, Public Education, Ex Officio
- Douglas Brown, New Mexico State Treasurer, Ex Officio.

Mr. Malott stated that the board recommends adding three members with a background in finance. They would represent the New Mexico School Administrators, the American Federation of Teachers (AFT) and university presidents.

Mr. Baca reviewed the membership of the PERA Board. The members are:

- David A. Baca, Chair, County Member
- Victor A. Montoya, Vice Chair, Retiree Member
- Douglas Brown, New Mexico State Treasurer, Ex Officio
- Rebecca Vigil-Giron, Secretary of State, Ex Officio
- Nancy Hewitt, State Member
- Jeff Riggs, State Member
- Danny Sandoval, State Member
- Jeff Varela, State Member
- Cynthia Borrego, Municipal Member
- Patricia French, Municipal Member
- Lou Hoffman, State Member
- Loretta Naranjo-Lopez, Retiree Member.

Mr. Jacksha reviewed the membership of the SIC Board. The members are:

- Governor Bill Richardson
- State Investment Officer Gary B. Bland
- State Treasurer Douglas Brown
- Commissioner of Public Lands Patrick Lyons
- Secretary of Finance and Administration Katherine Miller
- David Harris, Public Member
- Andrew Davis, Public Member
- Ike Kalangis, Public Member
- Jim Rutt, Public Member.

Senator Smith indicated that his interest in the composition of the ERB is centered on financial expertise among board members. He also said that, in the past, legislation to alter the board membership stalled because of so many special interest groups that wanted to be represented. He asked about the concept of combining the boards of ERB and PERA.

Mr. Malott does not support combining the boards because he believes that diversification of investments is essential to the financial health of both funds. He also indicated that some believe it is important that board members have a vested interest in the performance of retirement fund investments.

Senator Smith asked Mr. Malott about his position on pension obligation bonds (POBs). Mr. Malott said that he explored the strategy; however, he is not an advocate of POBs.

Representative Varela asked why there are so many different investment managers engaged by the three investment agencies.

Representative Heaton asked Mr. Malott what he thinks about having a member of the LFC serving as a member of the ERB. Mr. Malott indicated there would be no objection, provided the person has a background in finance.

Representative Heaton asked Mr. Baca about introducing a requirement that PERA Board members have a financial background. Mr. Baca stated that at present there is no such requirement; however, most do have a background in finance. He is concerned that introducing a new requirement might restrict who is eligible to be a member.

Representative Varela said that he thinks the state auditor should be a member of the boards.

Representative Heaton asked the executive directors if they have any comments.

Evalynne Hunnemuller stated that the proposal to add the state auditor has been advanced in the past. Terry Slattery said that he does not support introducing a requirement that members have a financial background. He prefers to conduct in-house training of board members.

Representative Heaton said that he is concerned that PERA Board members are naive and are educated in matters of finance exclusively by the staff.

Representative Bratton said that a requirement that board members have 10 years of investment experience is excessively restrictive and could make it difficult to find people willing to volunteer time to serve. Also, he said that he believes that the boards should be comprised of people with and without a vested interest in the performance of investments.

Mr. Malott responded that some time ago, the board considered the creation of a volunteer advisory council comprised of people with a financial experience.

Senator Smith expressed appreciation with respect to Mr. Malott's candor and asked that a similar discussion be held with the LFC.

Representative Heaton asked Mr. Malott what he think about adding a member who does not have a vested interest in the fund. Representative Varela suggested that the state auditor be added to the board. Mr. Malott stated that there would a conflict of interest with the state auditor because the auditor is prohibited from auditing an organization if the state auditor is a member of the board of the organization.

Mr. Malott volunteered to discuss with the ERB the subject of adding a public member that does not have a vested interest in the fund.

Senator Leavell asked Senator Smith if he is proposing that a member of the LFC serve on the ERB. Senator Smith said that he supports the addition of university presidents and, perhaps, one additional member, but not the AFT or school administrators.

Representative Heaton summarized the discussion by observing that the committee seems to be recommending the addition of: (a) university presidents; (b) the AFT; (c) the LFC; and (d) a governor appointee who does not have vested interest. All of these appointees would have to possess financial experience. Also, one of the governor's existing appointees would not have a vested interest in the fund. Senator Smith does not support membership on the part of the AFT.

With respect to PERA, Representative Heaton indicated that the committee wants to increase the financial expertise of board members and that, perhaps, two members should not have a vested interest. The latter might be accomplished by converting two of the existing members to outside, nonvested members. Senator Leavell stated that he does not support expanding the PERA Board beyond 12 members. Representative Heaton requested that the PERA Board consider this proposal.

Representative Heaton asked Mr. Jacksha about the SIC Board. Mr. Jacksha indicated that the SIC Board is working well and cautioned against enlarging the number of members because it could jeopardize efficiency.

Representative Varela asked if Mr. Bland is a voting member of the SIC Board. Mr. Jacksha responded that he is a voting member.

Educational Retirement Board Actuarial Update

—Evalynne Hunnemuller

A summary of ERB statistics are as follows:

- Average Pay, Teachers: \$34,865
- Average Pay, New Entrants: \$26,000
- 72 percent of Active Employees Are Female
- Average Entry Age of New Entrants: 37 Years of Age

- Average Retiree Benefit: \$17,594
- Average Retirement Age: 59 Years of Age
- Retirements 2004: 1,620
- Retirements 2006: 1,924
- FY05 Retiree Payroll: \$452,599,000
- June 2006 Retiree Payroll: \$41,844,385
- July 2006 Retiree Payroll: \$44,443,523
- Number of Refunds FY05: 6,284
- Total Amount Refunded: \$28,545,000

Year	Market Value of Assets	Funding Ratio
1996	\$4.2 billion	72.1%
1999	6.7 billion	85.9%
2000	7.5 billion	91.6%
2003	6.0 billion	81.1%
2004	6.8 billion	75.9%
Current Year	8.6 billion	70.0%

The fund's assets have almost doubled, but so have liabilities. The unfunded liability in 1996 was \$1.5 billion. It is now \$3.4 billion.

Employer contributions are scheduled to increase according to the following table:

Year	Rate	Est. Dollar Value
FY 2005	8.65%	—
FY 2006	9.40%	\$ 17.5 m
FY 2007	10.15%	18.6 m
FY 2008	10.90%	19.5 m
FY 2009	11.65%	20.3 m
FY 2010	12.40%	21.2 m
FY 2011	13.15%	22.1 m
FY 2012	13.90%	23.0 m

Employee contributions are scheduled to increase according to the following table:

	Rate	Est. Dollar Value
FY 2005	7.600%	—
FY 2006	7.675%	\$1.8 m
FY 2007	7.750%	1.8 m
FY 2008	7.825%	1.9 m
FY 2009	7.900%	2.0 m

The history of investment returns is as follows (objective is eight percent):

FY 1995	18.5%	FY 2001	-11.1%
FY 1996	12.2%	FY 2002	- 8.8%
FY 1997	20.3%	FY 2003	2.7%
FY 1998	19.6%	FY 2004	15.4%
FY 1999	11.3%	FY 2005	9.86%
FY 2000	13.1%	FY 2006	12.3%

Current calendar year: 12.27%.

The current, estimated actuarial position is as follows.

- The funding period will drop to 31 years by 2009.
- The GASB requirement for retirement funds is 30 years.
- The fund is projected to be 75.8 percent funded in 2010, and 81.2 percent funded in 2015. It is currently at a 70 percent funded level.
- The unfunded liability slowly drops from \$3.415 billion this year to \$3.385 billion in 2010 due to good investment returns over the past three years. However, it will then rise for a few years until the final increased employer contribution level of 13.90 percent in 2011 is realized and begins to show results. The health of the fund is determined by contribution levels and investment returns.

Representative Varela asked if ERB has had any computer problems and if the payroll obligations are being met on a timely basis. Jeffrey Riggs, deputy director, ERB, stated that ERB has had no significant problems with the new computer system. Ms. Hunnemuller stated that ERB's payroll is current.

Senator Smith asked about the return-to-work program. Ms. Hunnemuller stated that there were 900 participants at the end of 2005. She believes that current participation may be as high as 1,500; however, she does not have an exact number at present.

Senator Smith indicated that he thinks the return-to-work program should be allowed to sunset.

Representative McCoy asked why there is a disparity in the funded ratio between ERB and PERA. Ms. Hunnemuller stated that the difference relates to contribution levels

and investment performance in 2000.

Senator Smith asked if ERB is aware of any proposed changes in retirement benefits. Ms. Hunnemuller responded that she is not aware of any requests for changes in benefits. She also indicated that ERB will support a new memorial recommending no change in retirement benefits.

Representative Heaton asked if any changes in statute are needed. Mr. Foy, Mr. Jacksha and Dominic Garcia, PERA, all indicated that no change in statutes are needed and that they are all still in the process of implementing changes in asset allocation that was authorized by the Prudent Investor Act.

SIC Student Managed Investment Program

—Bob Jacksha, SIC

Mr. Jacksha indicated that a contract is still being developed to implement the program.

Representative Stell asked where the \$10 million would come from. Mr. Jacksha stated that the funding would come primarily from the land grant and severance tax permanent funds.

Representative Varela asked where the idea came from for this program. Mr. Jacksha stated that Mr. Bland was the primary sponsor of the plan. The proposal was discussed with the universities and the Office of the Governor. It was presented to the SIC Board, and the board approved by mutual assent.

Representative Varela requested a copy of the contract when it is finalized. He said that he is concerned that such a program may be advanced without involvement of the legislature.

Representative Varela suggested that universities should use their own funds for this program. Mr. Jacksha said he is not aware of the universities using their own endowment funds for a student program.

Senator Smith stated that he agrees conceptually with the program, provided there are adequate safeguards.

SIC Economic Investments; Film Investments

—Bob Jacksha, SIC

The economic impact of SIC film investments is summarized in the following table:

Project Name	Loan Amount	Total NM Below the Line Payroll	Total New Mexico Crew	Total Spent in New Mexico
Suspect Zero	\$7,500,000	\$1,500,000	121	\$5,400,000
Blind Horizon	4,780,000	787,000	107	3,100,000
Elvis Has Left the Building	7,500,000	1,268,000	132	4,600,000
Cruel World	1,700,000	334,000	48	700,000
Wildfire	4,094,897	1,039,000	117	4,000,000
First Snow	7,350,080	968,000	85	6,500,000
Bordertown	15,000,000	2,455,000	137	7,200,000
Wildfire - The Series - Season 1	15,000,000	4,063,000	212	11,000,000
The Flock	2,300,000	4,201,022	235	20,966,435
Funny Farm	11,675,000	1,239,872	71	2,143,618
Seraphim Falls	15,000,000	2,987,866	263	7,250,000
Wildfire - The Series - Season 2	15,000,000	5,791,970	163	13,500,000
Wanted: Undead or Alive	3,800,801	621,423	93	1,500,000
Living Hell (The Horror Chronicles)	3,859,823	700,421	93	1,500,000
Buried Alive (The Horror Chronicles)	3,403,876	647,528	81	1,500,000
Employee of the Month	13,002,694	1,394,961	124	7,000,000
Wildfire - The Series – Season 3	15,000,000	6,000,000	174	15,000,000
Totals	\$145,967,171	\$35,999,063	2,256	\$112,860,053

Outstanding film loans are summarized in the following table:

Project Name	Date Approved	Maturity Date	Loan Amount	Total Film Budget
Bordertown	6/28/05	3/31/06	\$2,350,000	NA
Suspect Zero	7/23/02	12/12/06	7,500,000	\$27,000,000
Elvis Has Left the Building	08/26/03	10/31/07	7,500,000	8,000,000
Seraphim Falls	10/25/05	01/31/08	15,000,000	18,024,702
Bordertown	6/28/05	11/14/08	12,650,000	21,053,000
Wanted: Undead or Alive	1/25/06	12/22/08	3,798,410	3,798,410
Living Hell (The Horror Chronicles)	1/26/06	12/30/08	3,858,646	3,858,646
Buried Alive (The Horror Chronicles)	6/27/06	1/6/09	3,450,001	3,450,001
Employee of the Month	2/28/06	3/30/09	13,002,694	13,002,694
Funny Farm	10/25/05	4/17/09	12,420,000	12,420,000
Wildfire - The Series–Season 1	6/28/05	10/14/10	15,000,000	16,687,000
Wildfire - The Series–Season 2	11/22/05	3/28/11	15,000,000	21,775,000
Wildfire - The Series–Season 3	6/27/06	5 Years	15,000,000	22,514,009
Total Outstanding			\$126,529,751	\$171,583,462

Project Name	Date Approved	Maturity Date	Loan Amount	Total Film Budget
Blind Horizon	11/26/02	02/07/05	\$4,780,000	\$5,500,000
Wildfire	10/26/04	04/07/08	4,094,897	4,094,897
Cruel World	04/27/04	07/16/06	1,700,000	1,700,000
First Snow	01/25/05	08/14/06	7,300,000	7,300,000
The Flock	9/19/05	11/10/06	2,300,000	2,300,000
Total Matured			\$20,174,897	\$18,594,897

Regarding the New Mexico private equity investment program (NMPEIP), Mr. Jacksha noted that as of March 31, 2006, the NMPEIP held partnership interests in 23 private equity funds and one direct investment, to which the program has committed a total of \$252.0 million. With the state's target of \$366.7 million capital committed, the program appears to have adequate funds available for making additional commitments of \$30 million to \$50 million over the next year. The program's \$140.7 million capital drawn represents 61.48 percent of the statutory target of \$229.2 million. The portfolio carrying value of the program is approximately \$149.5 million, a 1.06 multiple of the \$140.7 million invested.

The economic impact of the NMPEIP is summarized as follows:

NMPEIP Capital Invested	\$110,229,000
Outside Investment	\$595,828,000
Number of Companies Financed	33
Total Jobs Created	685
Total Annualized Purchases	\$24,297,000
Total Annualized Payroll	\$56,352,000
Total Annualized Impact on the NM Economy	\$80,649,000
Average Salary for Jobs Created	\$82,265
Average Salary in New Mexico	\$29,597

Representative Bratton suggested that the committee continue to exercise oversight because of the large amount of money in film industry loans.

Senator Griego stated that there are many funding needs and asked why the state has \$14 billion being held in SIC-managed permanent funds. Mr. Jacksha explained that there is an annual distribution to the general fund from the land grant and severance tax permanent funds.

Committee Discussion of Potential Committee-Sponsored Legislation

—Comparability of Retirement Plan Features

—Terry Slattery, Executive Director, PERA

—Evalynne Hunnemuller, Executive Director, ERB

Mr. Slattery and Ms. Hunnemuller presented a comparison of retirement plan features as follows.

ERB	PERA - State Plan 3																											
Pension Factor 2.35%	Pension Factor 3.0%																											
Contributions Employee and employer contributions increasing 2 and 5 more years <table><tr><td></td><td>Employee</td><td>Employer</td></tr><tr><td>FY 2005</td><td>7.6%</td><td>8.65%</td></tr><tr><td>FY 2006</td><td>7.675%</td><td>9.4%</td></tr><tr><td>FY 2007</td><td>7.75%</td><td>10.15%</td></tr><tr><td>FY 2008</td><td>7.825%</td><td>10.9%</td></tr><tr><td>FY 2009</td><td>7.9%</td><td>11.65%</td></tr><tr><td>FY 2010</td><td>7.9%</td><td>12.4%</td></tr><tr><td>FY 2011</td><td>7.9%</td><td>13.15%</td></tr><tr><td>FY 2012</td><td>7.9%</td><td>13.9%</td></tr></table>		Employee	Employer	FY 2005	7.6%	8.65%	FY 2006	7.675%	9.4%	FY 2007	7.75%	10.15%	FY 2008	7.825%	10.9%	FY 2009	7.9%	11.65%	FY 2010	7.9%	12.4%	FY 2011	7.9%	13.15%	FY 2012	7.9%	13.9%	Contributions 7.42% Employee 16.59% Employer Note: PERA has 29 other plans with employee contributions ranging from 7% to 16.65% and employer contributions ranging from 7% to 25.72%.
	Employee	Employer																										
FY 2005	7.6%	8.65%																										
FY 2006	7.675%	9.4%																										
FY 2007	7.75%	10.15%																										
FY 2008	7.825%	10.9%																										
FY 2009	7.9%	11.65%																										
FY 2010	7.9%	12.4%																										
FY 2011	7.9%	13.15%																										
FY 2012	7.9%	13.9%																										
Membership Eligibility All public school and university employees working more than .25 of full-time-equivalent are eligible for membership in ERB. Certain two- and four-year community college and university employees may choose, within the first 90 days of employment, a defined contribution option. Educationally certified employees in certain state agencies with an educational component may choose either the ERB or PERA plan unless they possess a current teaching certificate. Retirees from PERA may not participate in the ERB retirement plan.	Membership Eligibility All state employees must be members of PERA excluding the following: <ul style="list-style-type: none">● Seasonal and temporary employees● Part-time employees who work less than 20 hours in a 40 hour pay period● Student employees● Retired members from ERB, the judicial retirement system or the magistrate retirement system● Retired legislative workers																											
Retirement Qualifications 25 years of service Age + service = 75 Age 65 + 5 years of service	Retirement Qualifications 25 years of service at any age, or Age 60 + 20 or more years of service Age 61 + 17 or more years of service Age 62 + 14 or more years of service Age 63 + 11 or more years of service Age 64 + 8 or more years of service Age 65 + 5 years of service																											

Benefit Calculation Final average salary of highest 5 consecutive years of service X Years of service X .0235	Benefit Calculation Final average salary of highest 3 consecutive years of service X Years of service X .03
No maximum benefit. 80% benefit is reached after 34 years of service.	Benefit maximizes at 80% with 26 yrs. and 8 months of service.
Disability Retirement Members with at least 10 years of earned service may apply for a disability retirement. The retirement is approximately 33% of the final average salary and a COLA (see below) begins in the third year of disability retirement.	Disability Retirement Duty disability - members are eligible for duty disability from the first day of employment. Nonduty disability - members are eligible for nonduty disability after being vested with 5 years of service credit.
Cost-of-Living Adjustment (COLA) Annual, starting at age 65 1/2 of CPI with minimum of 2% (but 100% of CPI if lower than 2%), maximum of 4% Average COLA increases over the last 20 years have been 2%.	Cost-of-Living Adjustment (COLA) 3% each year after members have been retired 2 full calendar years (January 1 through December 31) effective July 1 of the following year. Disability retirees and retirees who are at least age 65 prior to their first COLA eligibility date have a reduced waiting period of 1 full calendar year.

Withdrawn Service Credit Upon termination of employment a member may withdraw contribution plus interest (the interest is determined annually by the board). The cost to purchase the withdrawn service is 8% from date of withdrawal to date of purchase.	Forfeited Service Credit Service credit for which a member withdrew, or forfeited, employee contributions plus interest when working for a PERA affiliate in the past can be purchased by paying the total of the amount withdrawn plus interest from the date the contributions were withdrawn to the date of purchase. Interest rates: 5.25% Forfeited service prior to 12/31/83 10% Forfeited service from 1/1/84-12/31/01 8% Forfeited service from 1/1/02 to present
--	---

<p>Allowed Time</p> <p>Can buy up to 5 years of service from private educational service or public educational service in another state. Cost is actuarial. For example, a 50-year old with 20 years of earned service making \$40,000 would pay \$26,459 for one year of allowed service.</p>	<p>Air Time</p> <p>Members must be vested with 5 years of earned service credit to be eligible to purchase up to 12 months of "air time" permissive service credit. The employee pays full actuarial value. For example, a 50-year old with 20 years of earned service making \$40,000 would pay an estimated \$18,220 for one year of air time.</p>
<p>Military Service Credit</p> <p>Must be purchased within the first 3 years of employment. Cost is 10.5% of average ERB salary for each year of active military service to be purchased up to 5 years. Active employees who are called up to military service are granted credit for that service if they return to employment with an ERB employer within 18 months.</p>	<p>Military Service Credit</p> <p>Members can purchase up to 5 years of nonintervening military service credit at any time after vesting. Cost is a total of the employee and employer contribution rate (24.01% for State General Plan 3) multiplied by the average of the highest 36 consecutive months of reported salary to purchase each month of military service credit.</p>

<p>Miscellaneous Service Credit</p> <p>ERB does not allow the purchase of any service credit other than the allowed time, military service and withdrawn service discussed.</p>	<p>Miscellaneous Service Credit</p> <p>PERA also provides for purchasing the following service credit:</p> <ul style="list-style-type: none"> • Service with a new affiliated employer • Employment with a utility company, library, museum, transit company or by a nonprofit organization later taken over by an affiliated public employer • Civilian prisoner of war • Cooperative work study (with certain entities)
--	--

<p>Retirees Returning to Work</p> <ul style="list-style-type: none"> • 12 months layout period prior to applying for the return-to-work program. Retirees must not work, contract, or volunteer in a typically paid position for an ERB employer in that time. • Employers make employer contributions. • Employees do not make ERB contributions. • Members who retired before 1-1-01 may return without a layout. • Members who retired before 1-1-01 but suspended their pension must layout for 90 days. • Retirees may earn the greater of \$15,000 or .25 of full-time-equivalent with an ERB employer and maintain their pension. • Retirees may work as independent contractors but 	<p>Retirees Returning to Work</p> <ul style="list-style-type: none"> • 90-day waiting period before retirees can return to work for a PERA affiliate. • Employers make employer contributions on behalf of the retiree from the first day of employment. • Reemployed retirees pay nonrefundable employee contributions once earnings exceed \$25,000 in a calendar year. • Reemployed retiree contributions end on Dec. 31, 2006. • As of Jan. 1, 2007, the employer will pay the full actuarial value of reemploying retirees. • PERA's actuary is in the process of determining if there is a cost to the fund and
---	--

<p>must follow IRS code.</p> <ul style="list-style-type: none"> • ERB's actuaries determined that the return-to-work program has no effect on the solvency of the fund at present. 	<p>if, or what, an employer will have to pay in contributions to hire retirees.</p> <p>Note: there is no 90-day waiting period, provision or salary limit for retirees returning to work as independent contractors. PERA makes a determination whether or not a retiree is an independent contractor.</p>
---	--

Representative Bratton noted that PERA members work approximately 260 days per year while ERB members work 180 days per year. He would like to see a comparison of benefits that is normalized by the length of the work year.

- Return-to-Work Issues
 - Cleo Griffith, LCS
 - Other Issues

Senator Smith suggested that he is resigned to allowing the return-to-work provisions sunset in 2012. He requested that staff contact the National Conference of State Legislatures to identify return-to-work provisions in other states.

Representative Heaton indicated that the committee would like to do something about return to work, but is not sure what that is.

Representative Bratton suggested that annual recertification of "critical employment" be implemented.

Senator Leavell would like a comparison of New Mexico PERA and ERB benefits to retirement benefits in other states. Representative Heaton responded that PERA benefits are number one in the country and that ERB benefits are in the top five in the country.

Representative Heaton agreed with Representative Bratton that some type of certification process should be created.

Representative Heaton also noted that the committee would like to review legislation creating a statutory committee.

Juvenile Correctional and Probation Officers; Retirement Benefit Enhancement

—Danny Sandoval, Children, Youth and Families Department

Representative Varela supports the conversion to a 25-year enhanced retirement plan. He noted that a salary increase approved by the legislature was vetoed by the governor.

Senator Griego disapproves of closing the Springer juvenile facility that has resulted in juveniles being placed in adult holding facilities. He asked if probation and parole (P&P) officers will have any input into the administration's decision to close facilities. He will not support improved benefits or salary for P&P officers until the administration allows

employee input into the decision-making process.

Representative Bratton does not support improved retirement benefits but does support improved wages. He recognizes that certain jobs have a high burnout rate; however, he believes that people need a decent wage in order to live today.

Representative Heaton noted that the PERA retirement plan is the best in the United States. He believes that earnings today are more important.

Representative Bratton noted that the governor would rather spend \$500 million on a train and a spaceport than on essential state employee salaries. He said that it is discouraging when the legislature approves a salary increase and the governor vetoes it.

Adult Probation and Parole Officers; Retirement Benefit Enhancement

—Tony Marquez, Jr., New Mexico Corrections Department, Administrative Services Division

Mr. Marquez stated that there is a 22 percent turnover rate in P&P officers.

Senator Smith opposes the enhancement, although he supports an improved salary level.

911 Communications Workers; Retirement Benefit Enhancement

—Bud Lake, 911 Communications Director

Mr. Lake noted that every five years, approximately 80 percent of 911 workers turn over.

Senator Carraro does not believe that 20-year retirement, as opposed to 25-year retirement, is a sufficient incentive in such a high-stress occupation. He stated that hiring more employees and lowering the stress for all would be a better approach.

Senator Leavell is not convinced that enhanced retirement benefits will solve the retention problem and would like to see the result of enhanced retirement on retention in other occupations.

Senator Smith is not in favor of creating disparities among counties by making enhanced retirement optional.

Adoption of October 16-17, 2006 Minutes

The committee unanimously adopted the October 16-17, 2006 minutes as amended.

Other Business

There was no other business brought before the committee.

The committee adjourned at 4:30 p.m.